



The PITCHBOOK
Private Equity
Decade Reports



Vol. I: Fundraising
2001-2010

Private Equity | Venture Capital

THE PITCHBOOK DECADE REPORTS

VOL. I: FUNDRAISING 2001-2010

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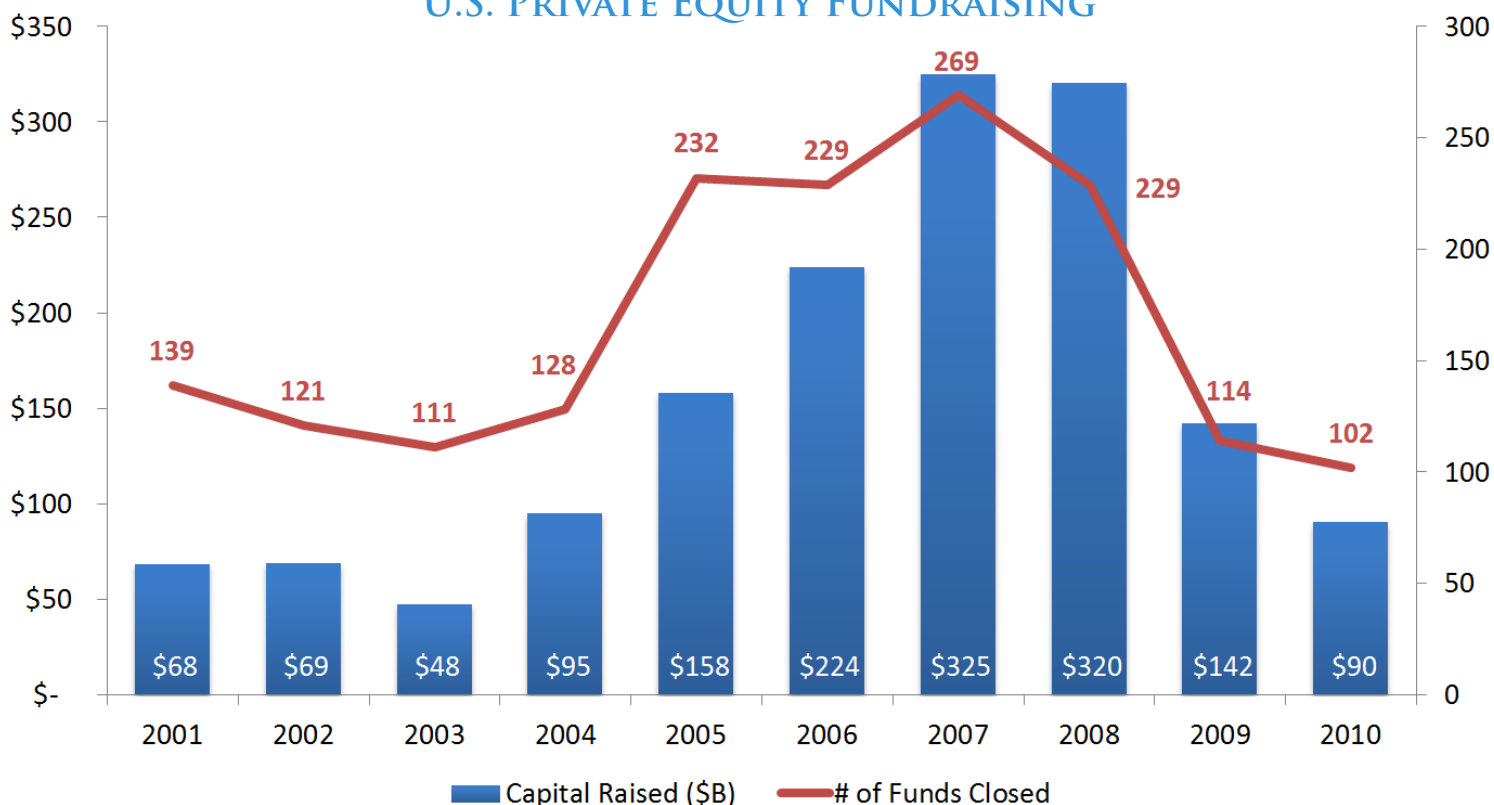
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PRIVATE EQUITY FUNDRAISING 2001-2010

The U.S. private equity industry has experienced incredible growth over the last decade, going from back page news to front page headlines. With a current ownership of 6,000 U.S. companies and total assets under management of over \$1 trillion, it is an asset class with strong ties to both Main Street and Wall Street. PitchBook is producing a four-part series of reports to further explore the development, growth and trends during the last 10 years in the four core aspects of U.S. private equity: fundraising, investments, exits and fund returns.

This first installment focuses on U.S. private equity fundraising from 2001 through 2010. During this time, PE fundraising went from \$68 billion in 2001 to a peak of \$325 billion in 2007 before dropping to \$90 billion in 2010. The number of private equity funds closed each year followed a similar trend with a total of 1,674 being raised during the decade. Total PE assets under management increased from \$423.6 billion in 2001 to \$1.36 trillion by the end of 2010. These statistics and many more like them demonstrate the ability of private equity to attract enormous sums of capital and the success the industry has experienced over the last decade.

U.S. PRIVATE EQUITY FUNDRAISING



- U.S. private equity funds raised a total of \$1.5 trillion through 1,674 funds from 2001-2010
- For a sense of scale, PE raised \$325B in 2007, the same amount as the entire economy of Denmark produced (GDP) that year*

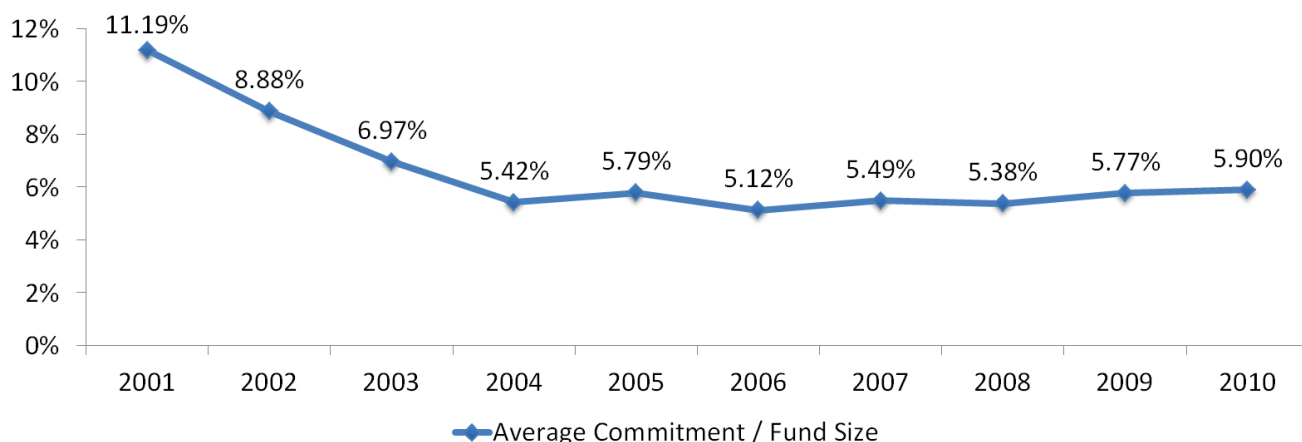
- PE fundraising crossed the \$100B mark for the first time in 2005. One year later it crossed \$200B and, one year after that it crossed the \$300B mark
- Capital raised increased by 6.7x from 2003 to 2007, but the number of funds only increased by 2.4x

*World Bank - <http://tinyurl.com/worldbank-org-indicator>

LIMITED PARTNER PE COMMITMENT STATISTICS

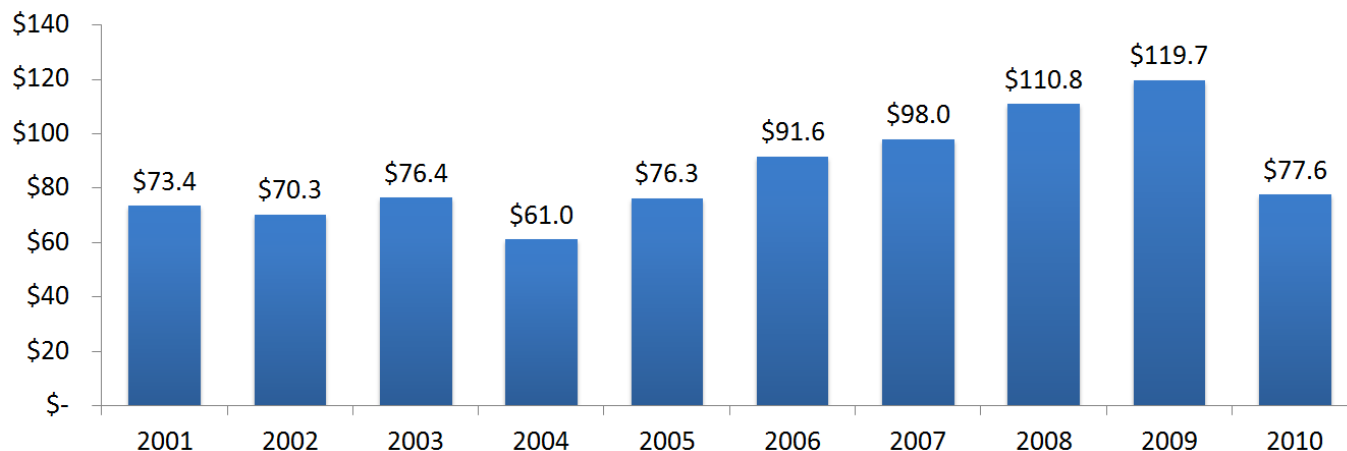
The average portion of a private equity fund represented by a single major institutional investor's commitment saw a steady decrease from 2001 to 2004, before holding remarkably steady at around 5.5% (sample based on 50 large U.S. institutional investors). A strong correlation exists between the size of a fund and the percentage of the fund a single major institution will represent. Funds sized \$100-\$250 million had single institutional investors averaging around 20% of the total committed capital, whereas single institutional investors consistently averaged between 2% and 4% of the capital for funds with over \$1 billion. Despite the smaller stake, these major institutional investors showed a clear preference for large funds where they could make 'move-the-needle' commitments that enabled them to invest the billions they allocated to private equity.

AVERAGE PORTION OF P.E. FUND BY SINGLE INSTITUTIONAL INVESTOR



The average commitment size for large institutional investors rose during the last half of the decade before declining in 2010. The 10-year average fund commitment was \$85 million with a low of \$61 million in 2004 and a high of \$120 million in 2009. As would be expected, the larger the fund, the larger the average commitment. For funds over \$5 billion, the average commitment was \$153 million, versus only \$28 million for funds under \$250 million.

AVERAGE COMMITMENT SIZE (\$M)

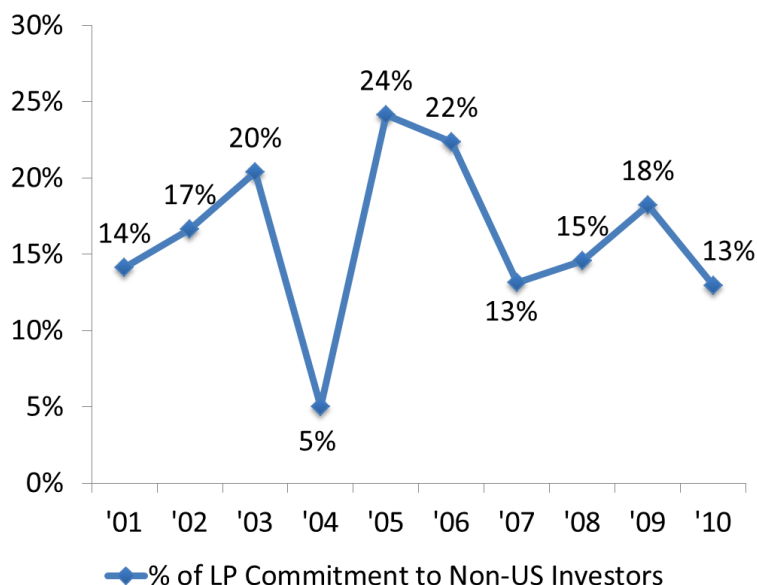


LP INTERNATIONAL PE COMMITMENT STATISTICS

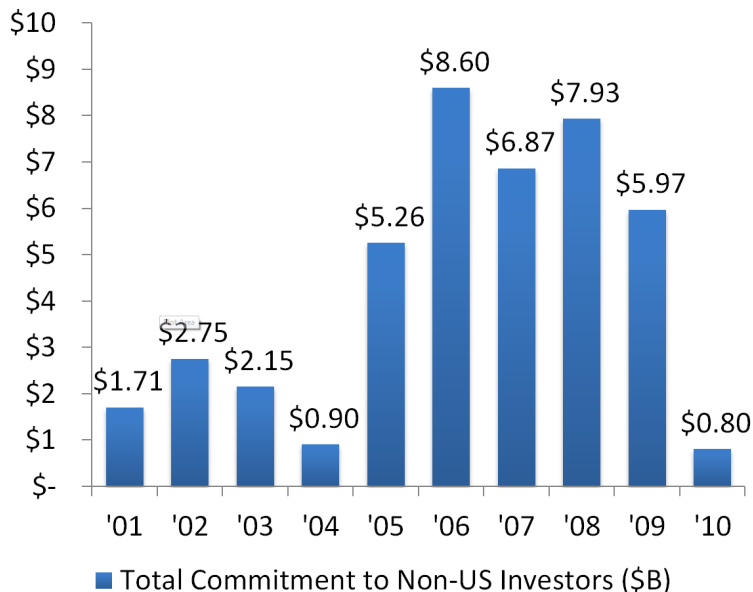
The private equity industry grew not only in the United States during the last decade but around the rest of the world as well. As it did, U.S.-based institutional investors began to commit more capital to non-U.S. PE firms in hopes of realizing better returns by diversifying and gaining exposure to untapped markets. Below are two charts showing the total dollar amount invested in non-U.S. funds by 50 major domestic institutional investors (same group from previous page) and the percentage of their yearly PE commitments that were made to these non-U.S. funds. While the percentage committed is a bit erratic, it averages out at about 15% for the decade. During this time though, limited partners were significantly increasing the size of their commitments, so 15% in 2007 represents significantly more capital than 15% in 2001.

This group of limited partners' non-U.S. PE fund preferences stayed surprisingly steady during the 10 years in terms of size and geography. They showed a clear preference for large funds, with 88% of commitments going to funds over \$1 billion (45% to \$1-\$5 billion and 43% to \$5+ billion funds). In terms of geography, these U.S. institutional investors showed a clear preference for Europe, with 84% of all commitments going to the region, a majority of which went to United Kingdom-based funds. Asia-based funds began to claim more commitments near the end of the decade but still only made up 6% of these institutions' non-U.S. PE commitments, the same percentage as Canadian funds.

PERCENTAGE OF COMMITMENT ALLOCATED TO NON-U.S. INVESTORS



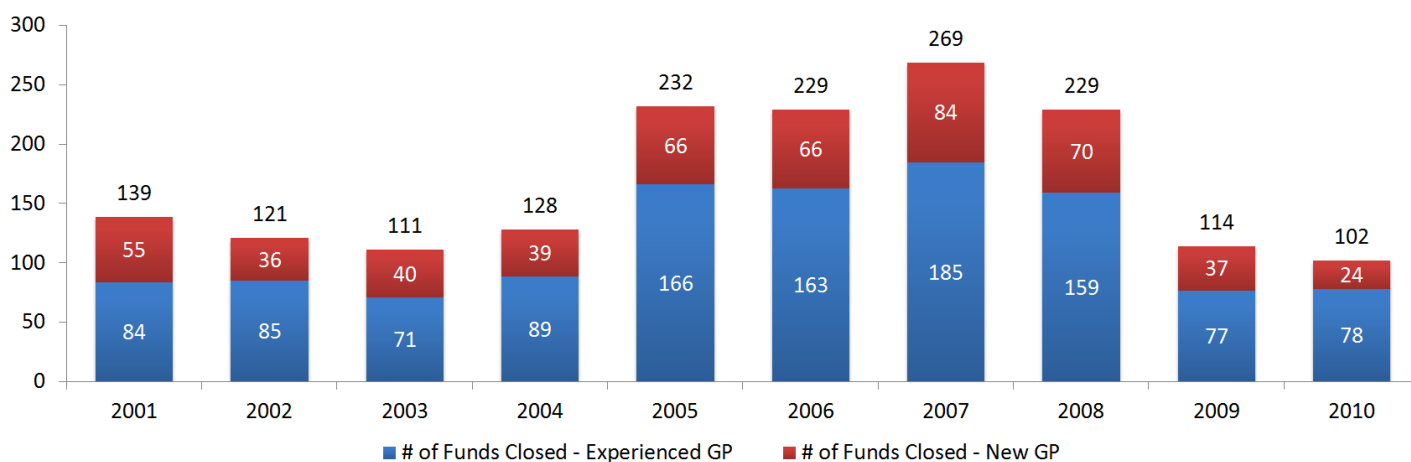
U.S. INSTITUTIONAL INVESTORS' COMMITMENT TO NON-U.S. INVESTORS



FIRST-TIME PRIVATE EQUITY FUNDS

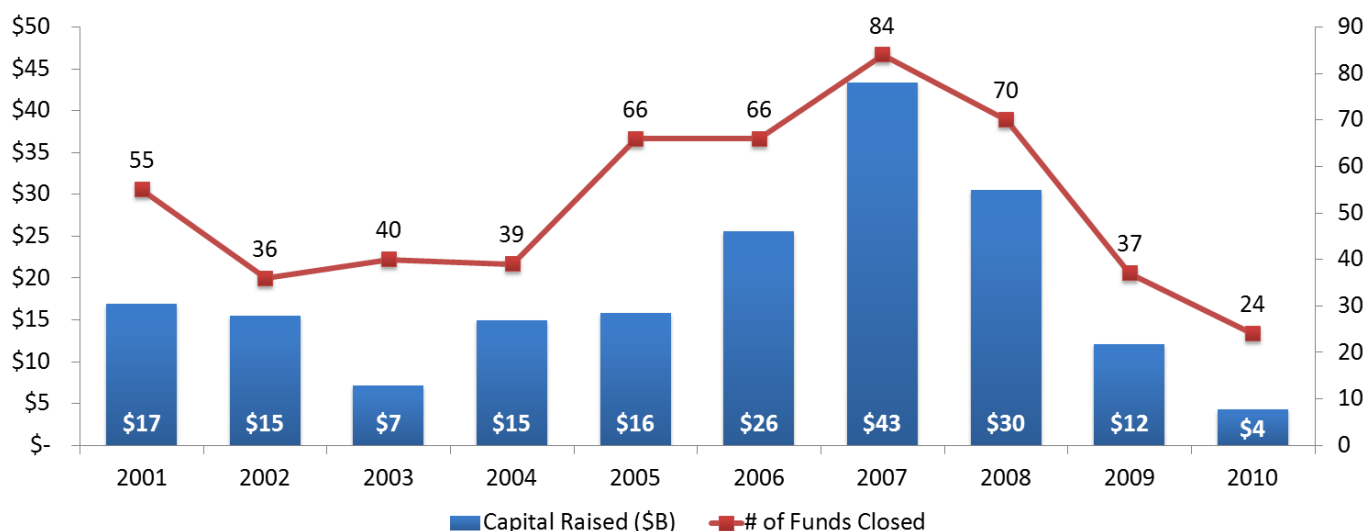
One element that drove private equity fundraising upward during the past decade was the creation of new private equity firms. Over the last 10 years, a total of 517 U.S. private equity firms raised their first fund, representing about a third of all U.S. PE funds raised during the decade. The creation of such a large number of new firms should be taken as a positive for the industry as it was able to consistently develop and attract new talent. Whether or not the industry is becoming overcrowded, however, is an ongoing debate.

U.S. P.E. FUNDRAISING BY NEW AND EXPERIENCED GPs



In total, these first-time funds raised \$186 billion, representing about 12% of the decade's fundraising total, a result of the average first-time fund only being \$375 million. Fund sizes are smaller for first-time funds, because before most limited partners commit significant capital to new firms, they want to see that the investment team works well together, can generate positive returns and make smart investments. Following the first fund, and for each additional fund, PE firms were significantly increasing fund sizes during the decade.

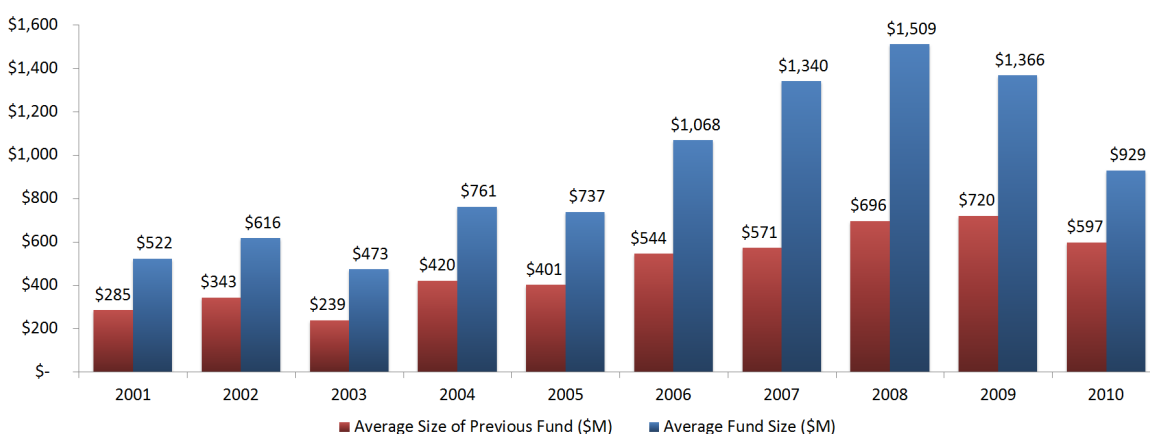
U.S. P.E. FUNDRAISING BY NEW GENERAL PARTNERS



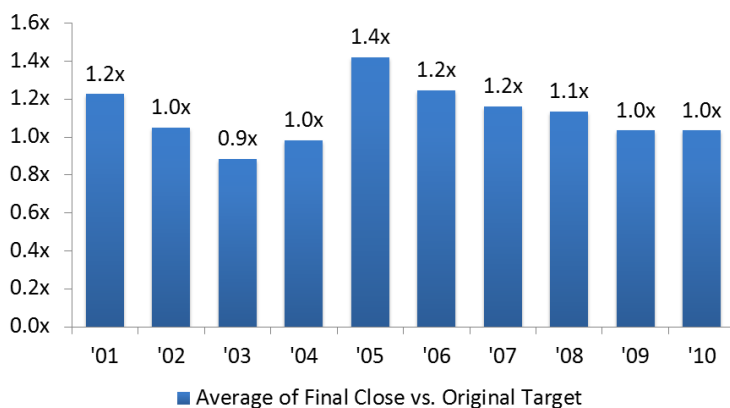
PRIVATE EQUITY FUNDRAISING STATS

The growth in private equity firms' fund sizes from one fund to the next was a major driver of the increase in private equity fundraising during the decade, as detailed in the chart below. Looking at PE firms' funds in the same series (e.g. Fund I vs. Fund II), the average increase from one fund to the next during the past decade was 88%. 2007 vintage funds hold the highest percentage increase with an average of 135%. The increase in fund size was driven by a number of factors including limited partner demand, a move towards larger deals and just a little bit of hubris to name a few.

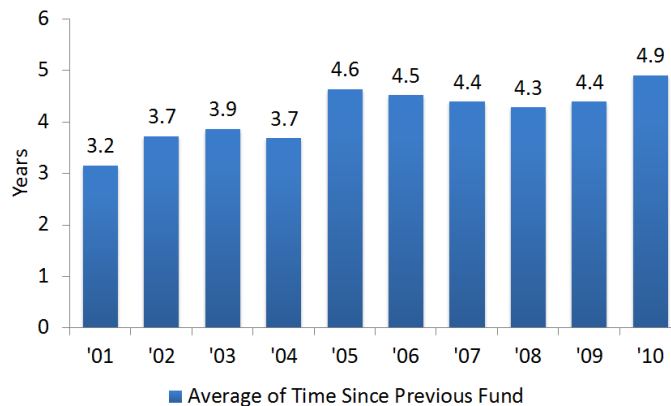
AVERAGE FUND SIZE AND SIZE OF PREVIOUS FUND IN SERIES



AVERAGE CAPITAL RAISED VS. TARGET SIZE



AVERAGE TIME SINCE PREVIOUS FUND IN SERIES



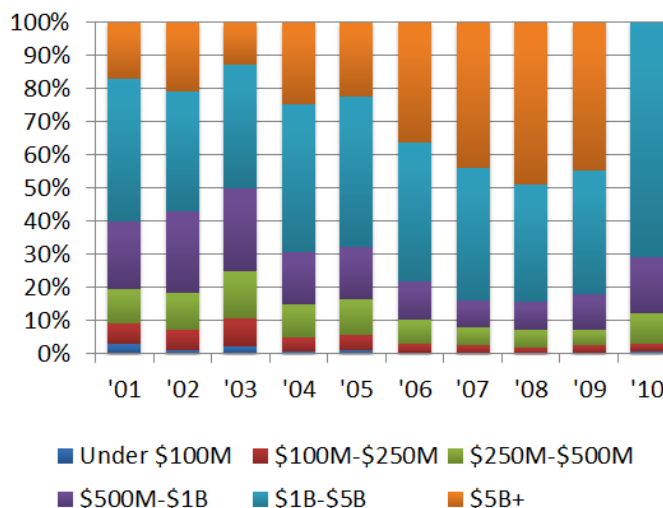
Private equity firms have been able to consistently reach or surpass their fundraising targets over the last 10 years. The average fund closed 11% above its target during the past decade. Funds above \$5 billion have generally closed 33% above target, while funds on the opposite end of the spectrum, those under \$100 million, struggled to raise even 75% of their target.

The time between funds has slowly but steadily increased, rising from 3 years in 2001 to almost 5 years by 2010. Surprisingly, it was the mega-funds (\$5B+) that had the shortest time between funds at 3.5 years on average. Buyout funds from \$250 million to \$500 million had the longest period, with an average of 5 years between fund closings during the past decade.

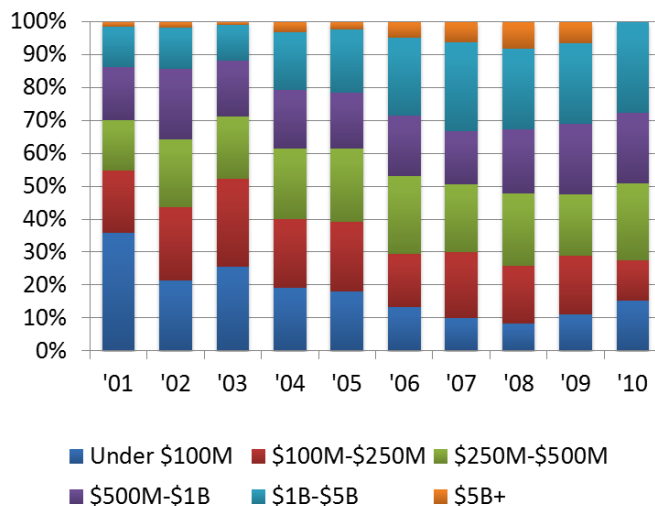
PE FUNDRAISING BY FUND SIZE & TYPE

The growth in U.S. private equity fund sizes during the decade was led by a significant shift in the industry toward large and mega-funds. Funds over \$5 billion increased their portion of overall capital raised from 17% in 2001 to almost 50% in 2008. For the first five years of the decade, funds over \$1 billion in size raised \$277 billion or 63% of PE's total fundraising, versus the last 5 years when they raised \$896 billion or 81% of PE's total fundraising. By the end of the decade, the average buyout fund had tripled in size from \$522 million to \$1.5 billion. This shift toward large and mega-funds was another key driver behind the explosion of private equity fundraising during the last 10 years.

AMOUNT BY SIZE



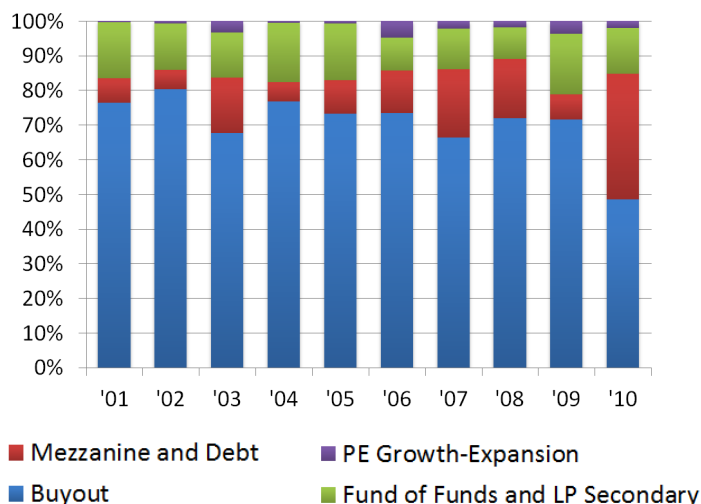
AMOUNT BY NUMBER



While staggering sums were being raised by large private equity funds during the decade, middle-market focused funds (\$100 million - \$1 billion) were the most steadfast. These funds raised a total of \$330 billion during the 10 years and accounted for around half of the U.S. PE funds closed every year. This chart also shows that, despite how often mega-funds are discussed and the amount of capital they have raised, their actual numbers are relatively small, peaking at 17 in 2008 and totaling only 63 during the decade.

Private equity fundraising by fund type is shown by the chart to the right. Throughout the decade, buyout funds accounted for 71% of the capital raised by U.S. private equity funds. In 2010, however, mezzanine and debt fundraising increased to 36% of total fundraising, pushing buyout funds below 50% for the first time during the decade.

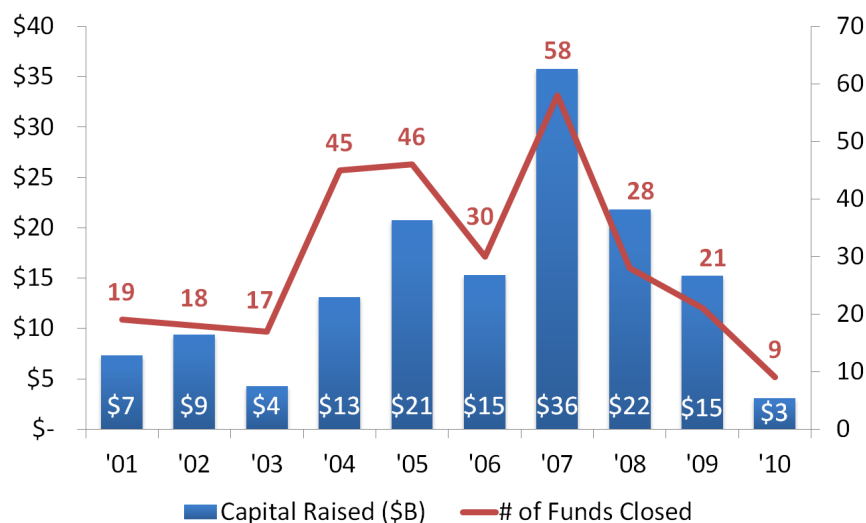
FUNDRAISING BY TYPE



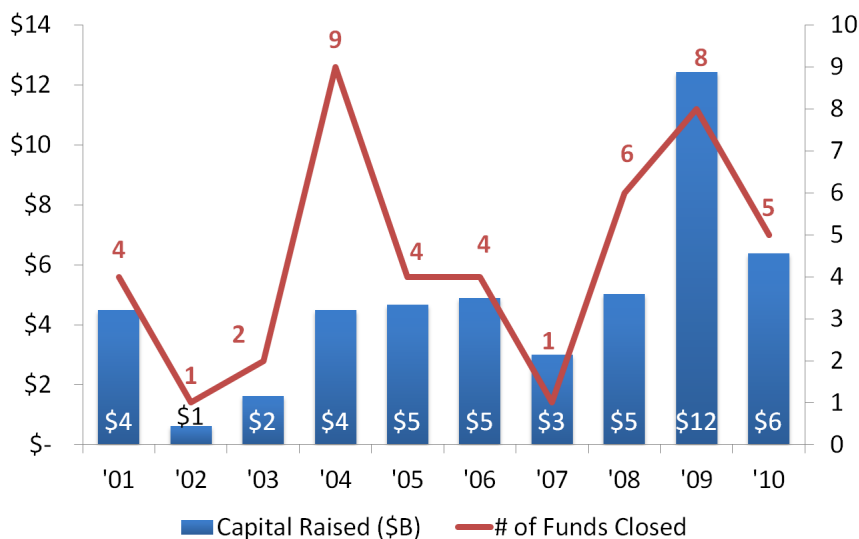
PE FUND OF FUNDS AND SECONDARY FUND FUNDRAISING

In the past decade, fund of funds have raised over \$145 billion through 291 funds, accounting for about 10% of the total capital raised by U.S. private equity funds. Fund of funds fundraising paralleled overall PE fundraising in many ways, including a mid-decade bump with a peak in 2007. The average fund size, doubled from \$404 million in 2001 to \$801 million in 2009, resulting in funds over \$1 billion growing from 33% of total capital raised by fund of funds in 2001 to 73% of capital raised in 2009.

FUND OF FUNDS FUNDRAISING



LP SECONDARY FUNDRAISING



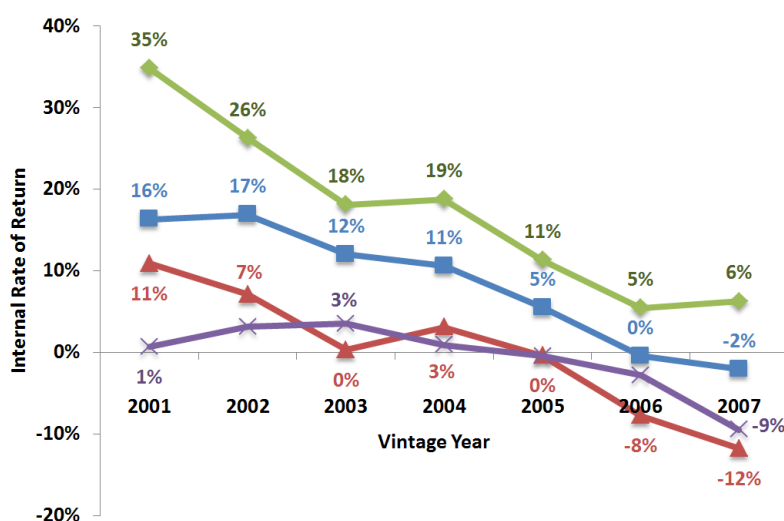
Secondary private equity funds are primarily dedicated to acquiring pre-existing commitments to private equity funds from limited partners. Fundraising for these funds has been erratic with peaks in closed funds occurring in 2004 and 2009, but it remains fairly steady in terms of capital raised annually until 2009. Secondary investors experienced a burst in popularity during the financial crises as many investors saw an opportunity for PE secondaries created by limited partner liquidity troubles, steep declines in valuations and sales of non-core assets by financial institutions.

PRIVATE EQUITY FUND RETURNS

So what is it that has compelled limited partners to invest \$1.5 trillion in U.S. private equity funds during the last 10 years? Private equity's consistently stellar returns. The current median IRR for mature U.S. private equity funds is an impressive 8.6%, with a 75th percentile return of 17.9%. This means half of all mature PE funds (those three years or older) are returning above 8.6% and that a quarter (the top quartile funds) are returning in excess of 17.9%. These returns, when compared to the public markets, are even more impressive.

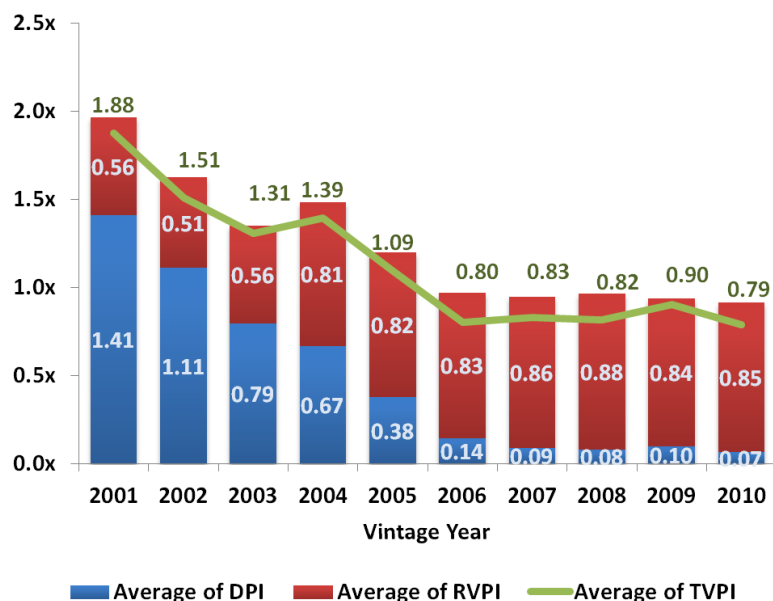
The first chart plots the 25th percentile (green line), median (red line) and 75th percentile (blue line) of private equity fund returns for mature vintages of the last decade versus the Russell 3000 index (purple line). It shows that, for almost any given vintage year during the last decade, about 75% (2nd quartile and better) of PE funds are currently outperforming the broader public equity market. It is important to note that most of these vintages are still in the middle of their investment lifetimes, and thus the general downward trend in returns should be taken as a consequence of the PE investment cycle (J-Curve) and not a long-term trend.

PERCENTILES BY VINTAGE YEAR



— 75th Percentile — Median IRR — 25th Percentile — Russell 3000
*Russell Investments - www.russell.com

AVERAGE MULTIPLES



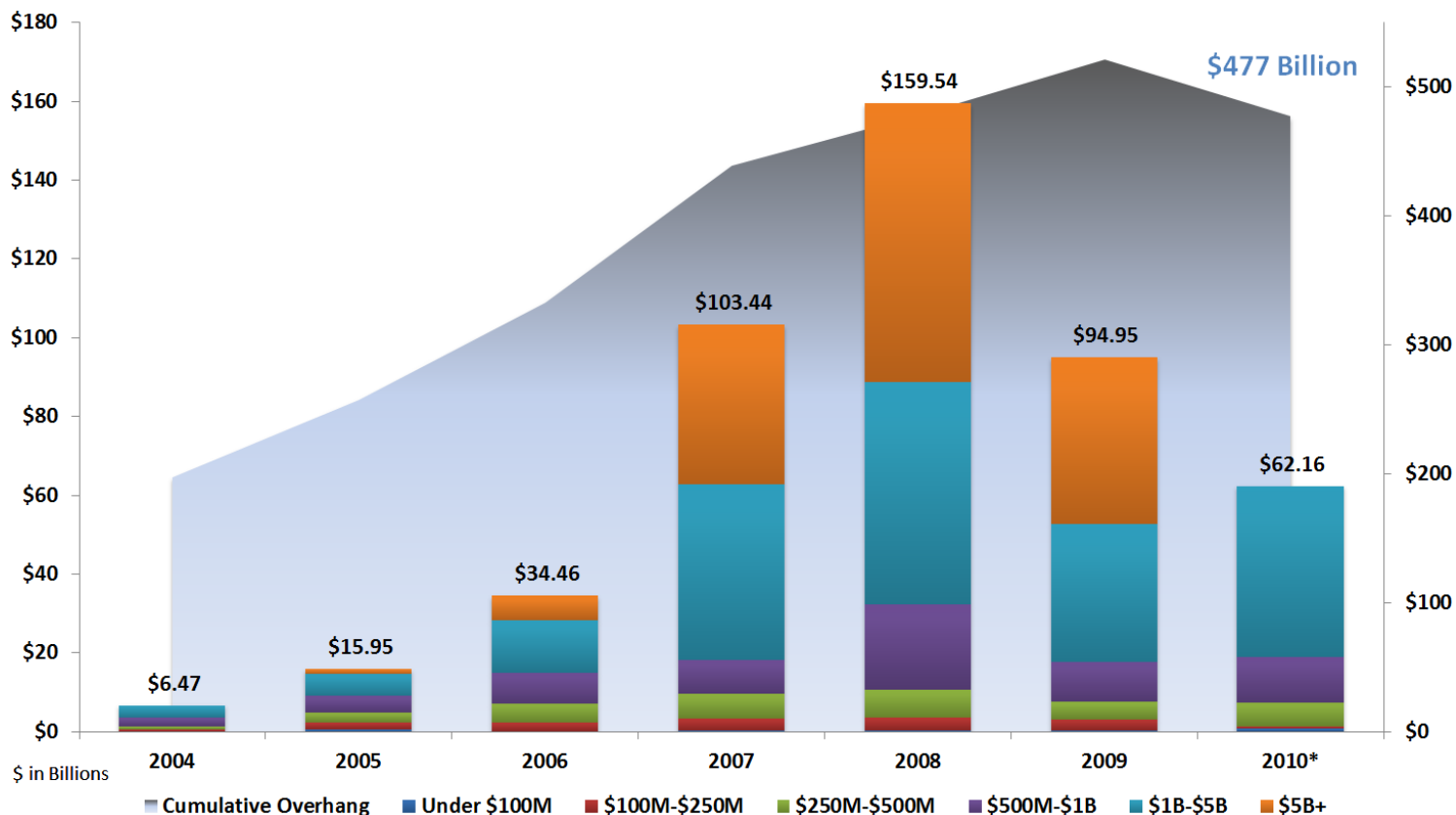
This chart shows the current average total value (TVPI), remaining value (RVPI) and distributed value (DVPI) multiples of the past decade's 10 fund vintages. For mature funds raised during the decade, the average total value is well into the positive (cash-on-cash multiple above 1), while most young funds are still valued right around par (1x multiple). Mature funds still hold a significant portion of their total value, which will need to be exited in the upcoming years and will have a strong effect on the final returns.

PRIVATE EQUITY OVERHANG & CONCLUSION

U.S. private equity firms raised \$1.5 trillion over the last 10 years but have so far only invested \$1 trillion of it, leaving funds with approximately \$477 billion of capital available for investment (dry powder). The amount of private equity dry powder grew steadily throughout the decade (shown by the grey-shaded region), peaking in 2009 at \$521 billion. 2007 and 2008 vintages currently hold \$263 billion, or over half of the industry's dry powder, as shown by the blue bars in the chart below. In terms of fund size, it is the funds over \$1 billion that hold the most dry powder with \$362 billion of uninvested capital, or 76% of the \$477 billion total. Interestingly, this chart also reveals a clear building of private equity dry powder even before the financial crisis, including years like 2006 and 2007 when private equity deal flow was at its peak.

Over the last 10 years, U.S. private equity fundraising experienced a number of changes that drove the amount of capital flowing to PE to a phenomenal level, including a large number of new firms, dramatic increases in funds sizes and the rise of large and mega-funds. All the while, private equity's dry powder continued to build. One of the more interesting conclusions about fundraising during the decade was that it was driven not by the supply of potential deals but by demand from limited partners for investments in PE funds and by private equity firms maximizing fund sizes.

U.S. PE CAPITAL OVERHANG BY YEAR



*As of 9/30/2010

PRIVATE EQUITY FUNDRAISING LEAGUE TABLES

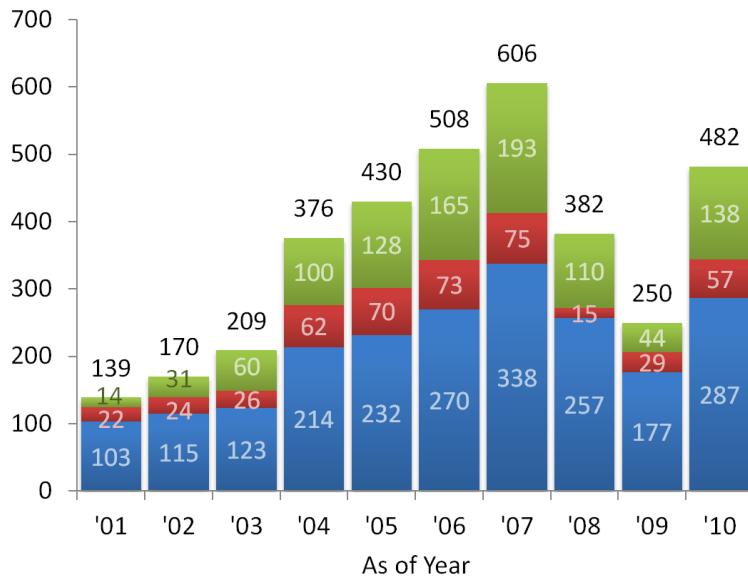
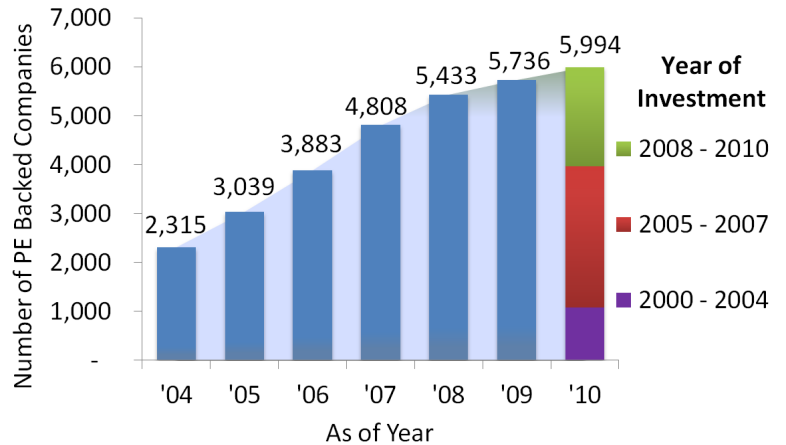
<u>Investor Name</u>	<u>Capital Raised (\$B)</u>	<u>Investor Name</u>	<u># of Funds Raised</u>
GS Capital Partners	\$ 77.29	The Carlyle Group	34
The Carlyle Group	\$ 68.84	Pantheon Ventures	19
The Blackstone Group	\$ 58.56	Oaktree Capital Management	19
TPG Capital	\$ 53.62	HarbourVest Partners	18
Oaktree Capital Management	\$ 49.24	Fortress Investment Group	18
Bain Capital	\$ 42.41	Adams Street Partners	18
Kohlberg Kravis Roberts	\$ 40.69	Angelo Gordon & Company	16
Apollo Global Management	\$ 39.95	Goldman Sachs Private Equity Group	15
Morgan Stanley Real Estate	\$ 33.67	Apollo Global Management	15
HarbourVest Partners	\$ 32.40	Bain Capital	13
Warburg Pincus	\$ 29.54	The Blackstone Group	12
Goldman Sachs Private Equity Group	\$ 23.48	Northgate Capital	12
Advent International	\$ 21.68	TPG Capital	11
Hellman & Friedman	\$ 20.70	MJX Asset Management	11
First Reserve	\$ 20.47	Hamilton Lane	11
Lone Star Funds	\$ 19.20	Advent International	11

<u>Investor Name</u>	<u>Capital Raised (\$B)</u>	<u>Close Date</u>
Blackstone Capital Partners V	\$ 21.7	2007
GS Capital Partners VI	\$ 20.3	2007
TPG Partners VI	\$ 18.9	2008
KKR 2006 Fund	\$ 17.6	2008
TPG Partners V	\$ 15.3	2006
Warburg Pincus Private Equity X	\$ 15.0	2008
Apollo Investment Fund VII	\$ 14.8	2009
Carlyle Partners V	\$ 13.7	2009
GS Mezzanine Partners V	\$ 13.0	2007
Providence Equity Partners VI	\$ 12.1	2007
OCM Opportunities Fund VIIb	\$ 10.9	2008
Blackstone Real Estate Partners VI	\$ 10.9	2008

THE PITCHBOOK DECADE REPORTS COMING SOON IN 2011

PITCHBOOK'S PRIVATE EQUITY DECADE REPORT: INVESTMENT

What do private equity portfolios look like after a decade of investing?

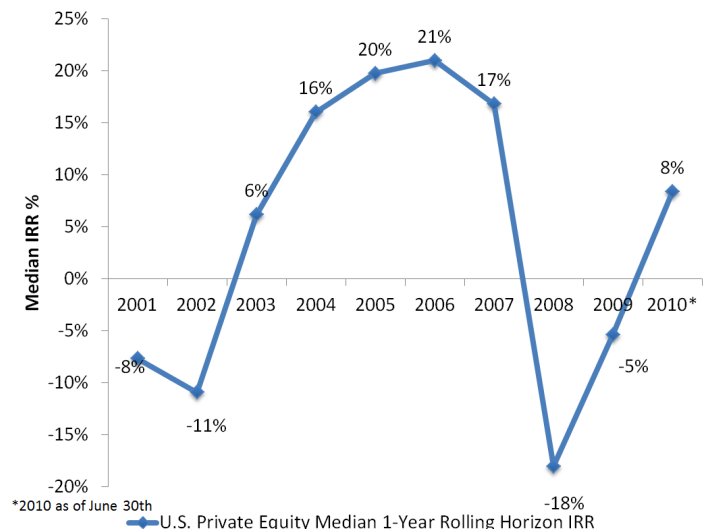


PITCHBOOK'S PRIVATE EQUITY DECADE REPORT: EXITS

How have private equity firms exited investments over the last decade?

PITCHBOOK'S PRIVATE EQUITY DECADE REPORT: FUND RETURNS

How exactly did private equity investments perform during each of the last 10 years?



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- Aggregated Analytics**
Detailed, customizable analytics directly from your search results
- Custom Charts**
Create presentation-ready charts tailored to your needs on the fly
- Custom Downloads**
Customize layouts and information to download to Excel
- One Simple Search**
See all related investors, deals, funds, service providers and more with one search



The collage displays various features of the PitchBook platform. On the left, there's a screenshot of the 'Investor and Fund Search Results' page, showing a list of search results with columns for Fund Name, Deal Count, and various metrics. In the center, a 'Pie Chart' is shown, illustrating the distribution of deals by region: Midwest (19.43%), West Coast (23.5%), South (17.55%), Other Territories (0.11%), and Southeast (9.47%). To the right, there's a screenshot of the 'Analytics' and 'Charts' section, showing a table of data with columns for Primary Industry Code, Last Financing Date, and Last Financing Size. At the bottom, a screenshot of an Excel spreadsheet titled 'My Layout: General Information Layout' is shown, containing a detailed table of company data with columns for Company ID, Company Name, Primary Industry Code, Last Financing Date, and various deal metrics.

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